

**IN THE UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE**

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<i>In re:</i>	:	Chapter 11
FRANCHISE GROUP, INC., et al.,¹	:	Case No. 24- 12480 (LSS)
	:	Jointly Administered
Debtors.	:	Re: Docket Nos. 1039, 1096, 1121

**FEE EXAMINER'S FINAL REPORT REGARDING
FIRST INTERIM FEE APPLICATION REQUEST OF
ERNST & YOUNG LLP**

Direct Fee Review LLC (“DFR”), appointed and employed as the Fee Examiner in the above-captioned bankruptcy proceedings and acting in its capacity regarding the First Interim Fee Application Request of Ernst & Young LLP (the “Firm”) for compensation for services rendered and reimbursement of expenses as Tax, Valuation, and Accounting Services Provider to the Debtors for the compensation period from November 3, 2024 through January 31, 2025 (“Fee

¹ The Debtors in these Chapter 11 Cases, along with the last four digits of their U.S. federal tax identification numbers, to the extent applicable, are Franchise Group, Inc. (1876), Freedom VCM Holdings, LLC (1225), Freedom VCM Interco Holdings, Inc. (2436), Freedom Receivables II, LLC (4066), Freedom VCM Receivables, Inc. (0028), Freedom VCM Interco, Inc. (3661), Freedom VCM, Inc. (3091), Franchise Group New Holdco, LLC (0444), American Freight FFO, LLC (5743), Franchise Group Acquisition TM, LLC (3068), Franchise Group Intermediate Holdco, LLC (1587), Franchise Group Intermediate L, LLC (9486), Franchise Group Newco Intermediate AF, LLC (8288), American Freight Group, LLC (2066), American Freight Holdings, LLC (8271), American Freight, LLC (5940), American Freight Management Company, LLC (1215), Franchise Group Intermediate S, LLC (5408), Franchise Group Newco S, LLC (1814), American Freight Franchising, LLC (1353), Home & Appliance Outlet, LLC (n/a), American Freight Outlet Stores, LLC (9573), American Freight Franchisor, LLC (2123), Franchise Group Intermediate B, LLC (7836), Buddy's Newco, LLC (5404), Buddy's Franchising and Licensing LLC (9968), Franchise Group Intermediate V, LLC (5958), Franchise Group Newco V, LLC (9746), Franchise Group Intermediate BHF, LLC (8260), Franchise Group Newco BHF, LLC (4123), Valor Acquisition, LLC (3490), Vitamin Shoppe Industries LLC (3785), Vitamin Shoppe Global, LLC (1168), Vitamin Shoppe Mariner, LLC (6298), Vitamin Shoppe Procurement Services, LLC (8021), Vitamin Shoppe Franchising, LLC (8271), Vitamin Shoppe Florida, LLC (6590), Betancourt Sports Nutrition, LLC (0470), Franchise Group Intermediate PSP, LLC (5965), Franchise Group Newco PSP, LLC (2323), PSP Midco, LLC (6507), Pet Supplies “Plus”, LLC (5852), PSP Group, LLC (5944), PSP Service Newco, LLC (6414), WNW Franchising, LLC (9398), WNW Stores, LLC (n/a), PSP Stores, LLC (9049), PSP Franchising, LLC (4978), PSP Subco, LLC (6489), PSP Distribution, LLC (5242), Franchise Group Intermediate SL, LLC (2695), Franchise Group Newco SL, LLC (7697), and Educate, Inc. (5722). The Debtors’ headquarters is located at 2371 Liberty Way, Virginia Beach, Virginia 23456.

Application") seeking approval of fees in the amount of \$390,375.00 and the reimbursement of expenses in the amount of \$0.00, submits its final report.

BACKGROUND

1. In performance of audit procedures and in preparation of this report designed to quantify and present factual data relevant to the requested fees, disbursements and expenses contained herein, DFR reviewed the monthly fee statements and the Applications, including each of the billing and expense entries listed in the exhibits to the monthly statements, for compliance with 11 U.S.C. § 330, Rule 2016-2 of the Local Rules of the United States Bankruptcy Court for the District of Delaware, as amended February 1, 2025 ("Local Rules"), the United States Trustee Guidelines for Reviewing Applications for Compensation and Reimbursement of Expenses Filed Under 11 U.S.C. § 330, issued June 11, 2013 ("Guidelines").
2. DFR did not prepare informal memos related to monthly fee applications of the Firm. We included our questions and issues in an initial report. We have included all responses and any recommended resolutions in this final report.

DISCUSSION

3. For the compensation period of November 3, 2024 through January 31, 2025 the Firm submitted monthly fee applications in the amount of \$390,375.00 as actual, reasonable and necessary fees and for expense reimbursement of \$0.00. For the Fee Application period, no amount was disclosed as related to fee application preparation.

4. Our procedures applied to the monthly fee applications for identified the entries listed in Exhibit A where charges may have been duplicated. We requested and the Firm agreed to withdraw the duplicates. We recommend that fees be reduced by \$825.00.
5. Our procedures applied to the monthly fee applications identified the timekeepers with limited time charged to this estate. We question the necessity and value to the estate because of the minimal involvement. We requested and the Firm provided additional information related to the nature and necessity of the roles of these timekeepers and agreed to withdraw the time of the timekeeper listed in Exhibit B. After our consideration of this we recommend that fees be reduced by \$240.00.
6. Local Rule 2016-2(d)(iv) requires that time be recorded in increments of 1/10th of an hour. We noted that much of the time billed by certain timekeepers appeared to have been recorded in units of ½ of an hour. We requested that the Firm advise the timekeepers of the time reporting unit requirements. The Firm provided additional detail and explanation and confirmed that the time billed did not exceed the time actually worked. After our consideration of this we have no recommendation for reduction in fees. Since no adjustment is required, no exhibit has been included.
7. Pursuant to the Guidelines, administrative or general costs incident to the operation of the applicant's office and not particularly attributable to an individual client or case are not reimbursable. We noted entries that seemed to reflect administrative activity that would not be charged to the estate such as procedures for time keeping, invoice preparation and review. We requested and the Firm agreed to withdraw the charges listed in Exhibit C. We recommend that fees be reduced by \$2,510.00.

8. Also, we noted an entry relating to fee application preparation. We requested and the Firm explained how the work described was performed at an appropriate level. After our consideration of this we have no recommendation for reduction in fees. Since no adjustment is required, no exhibit has been included.
9. Our review and procedures applied to the monthly fee statements and the applications, including each of the billing entries listed in the exhibits to the monthly statements did not disclose any other material issues or questions.

CONCLUSION

10. Regarding the application and the fees and expenses discussed in the previous sections, DFR submits its final report for the First Interim Fee Application Request of Ernst & Young LLP for compensation for services rendered and reimbursement of expenses as Tax, Valuation, and Accounting Services Provider to the Debtors for the compensation period from November 3, 2024 through January 31, 2025 and we recommend the approval of the fees of \$386,800.00 (\$390,375.00 minus \$3,575.00) and reimbursement of expenses in the amount of \$0.00. The Firm confirmed their agreement with this recommendation.

Respectfully submitted,

**DIRECT FEE REVIEW LLC
FEE EXAMINER**

By:


W. J. Dryer

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Exhibit A:

Korbutt, Brian	27 Jan 2025	Debt Restructuring Tax Assistance	Internal discussion regarding Franchise Group, Inc. tax basis. (Attendees: B. Korbutt, K. Winfree, E. Hsiao)	0.5	\$1,250.00	\$625.00
Korbutt, Brian	27 Jan 2025	Debt Restructuring Tax Assistance	Internal discussion regarding Franchise Group, Inc. tax basis. (Attendees: B. Korbutt, K. Winfree, E. Hsiao)	0.5	\$1,250.00	\$625.00
Ward, James	24 Jan 2025	Accounting Assistance	Meeting with Franchise Group to discuss leases, debt, and intercompany transactions while in bankruptcy. EY Attendees: S. Deravin (Senior Manager), G. Leno (Managing Director), G. Robison (Manager), J. Ward (Manager), Franchise Group Attendees: J. Arsenault, K. Scholes	0.4	\$500.00	\$200.00
Ward, James	24 Jan 2025	Accounting Assistance	Meeting with Franchise Group to discuss leases, debt, and intercompany transactions while in bankruptcy. EY Attendees: S. Deravin (Senior Manager), G. Leno (Managing Director), G. Robison (Manager), J. Ward (Manager), Franchise Group Attendees: J. Arsenault, K. Scholes	0.4	\$500.00	\$200.00

Exhibit B:

Polascik, Erin	Senior Manager	0.4	240
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Exhibit C:

Wagler, Derrick	07 Nov 2024	Routine On-Call	Call with General Counsel's Office on billing and other steps around bankruptcy.	1.0	900.00	900.00
Deravin, Susan	13 Jan 2025	Accounting Assistance	Continued review of resource requirements for execution of the engagement.	0.8	600.00	480.00
Deravin, Susan	13 Jan 2025	Accounting Assistance	Review of resource requirements for execution of the engagement.	0.5	600.00	300.00

Deravin, Susan	21 Jan 2025	Accounting Assistance	Internal meeting to discuss the time keeping process for the Franchise Group, Inc. bankruptcy engagement to be utilized in preparing fee applications to the Court. EY Attendees: S. Deravin (Senior Manager), J. Ward (Manager), D. Neziroski (Senior), D. Galarza (Senior)	0.5	600.00	300.00
Galarza, Damien	21 Jan 2025	Accounting Assistance	Internal meeting to discuss the time keeping process for the Franchise Group, Inc. bankruptcy engagement to be utilized in preparing fee applications to the Court. EY Attendees: S. Deravin (Senior Manager), J. Ward (Manager), D. Neziroski (Senior), D. Galarza (Senior)	0.5	400.00	200.00
Ward, James	21 Jan 2025	Accounting Assistance	Internal meeting to discuss the time keeping process for the Franchise Group, Inc. bankruptcy engagement to be utilized in preparing fee applications to the Court. EY Attendees: S. Deravin (Senior Manager), J. Ward (Manager), D. Neziroski (Senior), D. Galarza (Senior)	0.5	500.00	250.00
Galarza, Damien	21 Jan 2025	Accounting Assistance	Prepared template for time keeping process for Franchise Group, Inc. engagement to be utilized in preparing fee applications to the Court.	0.2	400.00	80.00